

Consolidated Financial Statements
[Expressed in U.S. dollars]

JumpTV Inc.
December 31, 2007

AUDITORS' REPORT

To the Shareholders of
JumpTV Inc.

We have audited the consolidated balance sheets of **JumpTV Inc.** as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 26, 2008

/s/ Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

JumpTV Inc.**CONSOLIDATED BALANCE SHEETS**

[Expressed in U.S. dollars, unless otherwise noted]

As at December 31

	2007	2006
	\$	\$
ASSETS		
Current		
Cash and cash equivalents <i>[note 5]</i>	51,202,984	21,936,878
Short-term investments <i>[note 6]</i>	130,640	28,115,378
Accounts receivable, net of allowance for doubtful accounts of \$395,175 [2006 – nil]	1,782,280	—
Interest receivable	726,995	117,947
Taxes receivable	659,000	602,152
Other receivables	79,385	3,522
Prepaid expenses and deposits <i>[note 7]</i>	1,044,921	1,178,119
Total current assets	55,626,205	51,953,996
Property, plant and equipment, net <i>[note 8]</i>	6,760,565	1,269,488
Intangible assets, net <i>[notes 3 and 9]</i>	18,305,881	312,140
Goodwill <i>[note 3]</i>	47,970,833	102,069
Other assets	1,234,038	161,246
Deferred direct broadcast operating costs, net <i>[note 15[iii]]</i>	76,409	61,605
Total assets	129,973,931	53,860,544
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable	3,296,858	1,931,589
Other accrued liabilities	5,247,328	2,497,393
Bank indebtedness <i>[note 10]</i>	—	1,287,150
Due to related party <i>[note 7]</i>	37,229	14,676
Current portion of notes payable <i>[note 11]</i>	13,586	—
Current portion of obligations under capital lease <i>[note 12]</i>	120,465	—
Accrued stock appreciation rights <i>[note 15[v]]</i>	—	1,087,760
Deferred revenue	1,980,169	205,314
Income taxes payable	115,050	61,800
Total current liabilities	10,810,685	7,085,682
Deferred rent	599,440	18,502
Notes payable <i>[note 11]</i>	31,881	—
Obligations under capital lease <i>[note 12]</i>	80,299	—
Total liabilities	11,522,305	7,104,184
Shareholders' equity		
Share capital <i>[note 14]</i>	172,697,828	75,227,648
Contributed surplus <i>[note 15]</i>	7,740,531	2,937,219
Accumulated other comprehensive loss	(40,355)	(32,240)
Accumulated deficit	(61,946,378)	(31,376,267)
Total shareholders' equity	118,451,626	46,756,360
Total liabilities and shareholders' equity	129,973,931	53,860,544

Commitments and contingencies *[notes 12 and 13]**See accompanying notes*

On behalf of the Board:

“G. Scott Paterson”
Director

“Jordan Banks”
Director

JumpTV Inc.**CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS**

[Expressed in U.S. dollars, unless otherwise noted]

Years ended December 31

	2007	2006
	\$	\$
Revenue	8,974,659	2,061,031
Direct broadcast operating costs <i>[notes 8, 9 and 15[iii]]</i>	(10,422,335)	(2,569,648)
	(1,447,676)	(508,617)
Other costs and expenses		
Selling, general and administrative <i>[note 7]</i>	28,205,105	21,690,938
Stock-based compensation and other compensation payments <i>[note 15]</i>	4,701,029	4,097,351
Interest	18,532	—
Amortization of property, plant and equipment	564,365	128,549
Amortization of intangible assets	91,790	22,401
	33,580,821	25,939,239
Loss before the following:	(35,028,497)	(26,447,856)
Loss on foreign exchange	(57,346)	(186,990)
Investment income <i>[note 6]</i>	4,568,982	1,083,050
Loss before income taxes	(30,516,861)	(25,551,796)
Provision for income taxes <i>[note 17]</i>	53,250	45,300
Net loss for the year	(30,570,111)	(25,597,096)
Unrealized gain on short-term investments	287,511	295,626
Reclassification of unrealized gain on short-term investments	(295,626)	(287,511)
Comprehensive loss for the year	(30,578,226)	(25,588,981)
Net loss per weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	\$(0.66)	\$(0.99)
Weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	46,586,730	25,848,396

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

[Expressed in U.S. dollars, unless otherwise noted]

	Share capital		Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total shareholders' equity \$
	Common shares					
	#	\$				
Balance, December 31, 2006	34,821,121	75,227,648	2,937,219	(32,240)	(31,376,267)	46,756,360
Net loss for the year	—	—	—	—	(30,570,111)	(30,570,111)
Unrealized gain on short-term investments	—	—	—	287,511	—	287,511
Reclassification of unrealized gain on short-term investments	—	—	—	(295,626)	—	(295,626)
Issuance of common shares on acquisition of SportsYa <i>[note 3[i] and 14[i]]</i>	191,345	1,182,295	—	—	—	1,182,295
Exercise of stock options for common shares <i>[note 15[i]]</i>	238,355	824,404	(320,542)	—	—	503,862
Exercise of warrants for common shares <i>[note 15[iii]]</i>	3,700	23,422	(8,622)	—	—	14,800
Net proceeds from issuance of common shares through secondary public offering <i>[note 14[ii]]</i>	13,043,479	93,104,131	—	—	—	93,104,131
Issuance of common shares into escrow on acquisition of SportsYa <i>[notes 3[i] and 14[i]]</i>	330,000	—	—	—	—	—
Issuance of common shares for advertising services <i>[note 14[iii]]</i>	197,628	934,900	—	—	—	934,900
Stock-based compensation <i>[note 15]</i>						
Restricted share plan units	—	—	1,135,896	—	—	1,135,896
Stock options	—	—	3,722,600	—	—	3,722,600
Warrants	—	—	466,910	—	—	466,910
Retention warrants	—	—	143,127	—	—	143,127
Release of common shares from escrow for services <i>[notes 3[i] and 14[i]]</i>	—	385,208	—	—	—	385,208
Issuance of common shares for restricted share plan units <i>[note 15[ii]]</i>	199,536	949,936	(949,936)	—	—	—
Issuance of common shares for services <i>[notes 3[ii] and 14[iv]]</i>	9,500	27,287	—	—	—	27,287
Repurchase and cancellation of common shares <i>[note 14[v]]</i>	(633,700)	(2,228,617)	613,879	—	—	(1,614,738)
Issuance of common shares on acquisition of Cycling TV <i>[notes 3[ii] and 14[vi]]</i>	743,349	2,267,214	—	—	—	2,267,214
Issuance of common shares into escrow on acquisition of Cycling TV <i>[notes 3[ii] and 14[vi]]</i>	—	—	—	—	—	—
Balance, December 31, 2007	49,144,313	172,697,828	7,740,531	(40,355)	(61,946,378)	118,451,626

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (cont'd)

[Expressed in U.S. dollars, unless otherwise noted]

	Share capital						Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total shareholders' equity \$
	Common shares		Class A common shares		Class C common shares					
	#	\$	#	\$	#	\$				
Balance, December 31, 2005	—	—	16,245,556	9,744,083	1	1	609,908	(40,355)	(5,779,171)	4,534,466
Net loss for the year	—	—	—	—	—	—	—	—	(25,597,096)	(25,597,096)
Unrealized gain on short-term investments	—	—	—	—	—	—	—	8,115	—	8,115
Exercise of stock options for Class A shares	—	—	1,772,420	918,284	—	—	(318,238)	—	—	600,046
Net proceeds from issuance of Class A common shares through private placements	—	—	3,066,784	8,179,046	—	—	—	—	—	8,179,046
Issuance of restricted share units	—	—	171,427	685,800	—	—	(685,800)	—	—	—
Exchange of Class A common shares for common shares	21,256,187	19,527,213	(21,256,187)	(19,527,213)	—	—	—	—	—	—
Net proceeds from issuance of common shares through initial public offering	12,000,000	48,528,346	—	—	—	—	1,260,540	—	—	49,788,886
Net proceeds from issuance of common shares through underwriters' over-allotment option	1,273,500	5,707,632	—	—	—	—	133,773	—	—	5,841,405
Exercise of stock options for common shares	39,275	209,583	—	—	—	—	(96,248)	—	—	113,335
Exercise of warrants for common shares	100,000	282,670	—	—	—	—	(102,670)	—	—	180,000
Redemption of Class C common share	—	—	—	—	(1)	(1)	—	—	—	(1)
Stock-based compensation										
Stock options	—	—	—	—	—	—	1,231,434	—	—	1,231,434
Restricted share units	—	—	—	—	—	—	1,658,004	—	—	1,658,004
Warrants	—	—	—	—	—	—	146,776	—	—	146,776
Issuance of restricted share units	152,159	972,204	—	—	—	—	(972,204)	—	—	—
Warrants issued to agent on HVMedia acquisition	—	—	—	—	—	—	19,222	—	—	19,222
Issuance of warrants for services	—	—	—	—	—	—	52,722	—	—	52,722
Balance, December 31, 2006	34,821,121	75,227,648	—	—	—	—	2,937,219	(32,240)	(31,376,267)	46,756,360

See accompanying notes

JumpTV Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

[Expressed in U.S. dollars, unless otherwise noted]

Years ended December 31

	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net loss for the year	(30,570,111)	(25,597,096)
Adjustments to reconcile net loss to cash used in operating activities		
Amortization	2,300,306	314,543
Unrealized gain on short-term investments	(23,377)	—
Stock-based compensation <i>[note 15]</i>	5,763,357	4,123,974
Amortization of deferred direct broadcast operating costs <i>[note 15[iii]]</i>	75,581	87,920
Effect of foreign exchange rate changes on cash and cash equivalents	(22,454,244)	(21,070,659)
Changes in operating assets and liabilities		
Accounts receivable	(1,774,695)	—
Other receivables	1,167,239	3,918
Interest receivable	(484,673)	(113,663)
Taxes receivable	(45,239)	(520,829)
Prepaid expenses, deposits and other assets	188,305	(1,219,337)
Accounts payable	75,496	1,411,416
Other accrued liabilities	1,537,855	1,670,360
Due to related party	22,553	(123,647)
Accrued stock appreciation rights payable	(1,087,760)	—
Obligations under capital lease	(53,603)	—
Note payable	(37,139)	—
Deferred revenue	507,745	149,046
Income taxes payable	53,250	45,000
Deferred rent	580,938	18,502
Cash used in operating activities	(21,803,972)	(19,749,893)
INVESTING ACTIVITIES		
(Purchase) redemption of short-term investments	28,000,000	(28,107,263)
Purchase of property, plant and equipment	(3,783,306)	(1,145,977)
Purchase of intangible assets	—	(12,500)
Acquisition of HV Media Limited <i>[note 3[iv]]</i>	(14,552)	(440,847)
Acquisition of SportsYA, net of cash acquired of \$3,308 <i>[note 3[i]]</i>	(180,917)	—
Acquisition of Cycling TV Limited, net of cash acquired of \$77,237 <i>[note 3[ii]]</i>	(2,383,491)	—
Acquisition of Broadband Network Division of XOS Technologies Inc. <i>[note 3[iii]]</i>	(60,926,708)	—
Cash used in investing activities	(39,288,974)	(29,706,587)
FINANCING ACTIVITIES		
Proceeds from share issuances, net <i>[note 14]</i>	93,104,131	63,809,337
Bank indebtedness <i>[note 10]</i>	(1,287,150)	1,287,150
Proceeds from (redemption of) Class C common share	—	(1)
Proceeds from exercise of stock options	503,861	713,381
Proceeds from exercise of warrants	14,800	180,000
Normal course issuer bid <i>[note 14[v]]</i>	(1,614,738)	—
Cash provided by financing activities	90,720,904	65,989,867
Effect of foreign exchange rate changes on cash and cash equivalents	(361,852)	(71,561)
Net increase in cash and cash equivalents during the year	29,266,106	16,461,826
Cash and cash equivalents, beginning of year	21,936,878	5,475,052
Cash and cash equivalents, end of year	51,202,984	21,936,878

See accompanying notes

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2007

1. Nature of Operations and Basis of Presentation

JumpTV Inc. ["JumpTV" or the "Company"], formerly JumpTV.com Inc., was incorporated in January 2000 under the laws of Canada. JumpTV's primary business is providing online broadcasting of international ethnic television channels and sports content over the Internet on a subscription basis.

On August 31, 2007, the Company acquired the Broadband Network business unit of XOS Technologies, Inc. ["XOS Network Division"], based in Sanford, Florida, through an asset purchase agreement from XOS Technologies, Inc.

On July 31, 2007, the Company acquired all of the issued and outstanding shares of Cycling TV Limited ["Cycling TV"]. Cycling TV is based in London, England and is a broadcaster of top-tier international cycling races.

On May 24, 2007, the Company launched selected channels on a free-to-consumer basis in the United States with a view to generating revenue through advertising.

On August 10, 2006, the Company completed its initial public offering ["IPO"] of its common shares. On February 23, 2007, the Company completed a public offering of its common shares [note 14]. The Company's common shares are listed on both the Toronto Stock Exchange ["TSX"] and the Alternative Investment Market ["AIM"].

2. Principles of Consolidation and Significant Accounting Policies

The consolidated financial statements include the accounts of JumpTV, JumpTV Ltd., a wholly-owned subsidiary in the United Kingdom, JumpTV International FZ LLC, a wholly-owned subsidiary in the United Arab Emirates, JumpTV USA Inc. ["JumpTV Sports"], a wholly-owned subsidiary in the United States, Sports International Group LLC ["SportsYA"], a wholly-owned subsidiary of JumpTV International FZ LLC in the United States, Deportes Ya S.A., a wholly-owned subsidiary of SportsYA, Cycling TV, a wholly-owned subsidiary in England, and KIT Capital Ltda. [formerly JumpTV Colombia Ltda.], a variable interest entity in Colombia where JumpTV has been determined to be the primary beneficiary [collectively, the "Company"]. All significant inter-company transactions and balances have been eliminated on consolidation.

The consolidated financial statements of JumpTV have been prepared in U.S. dollars in accordance with Canadian generally accepted accounting principles ["GAAP"]. The more significant accounting policies are summarized as follows:

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Actual results could differ from those estimates. Significant estimates made by management include the determination of the useful lives of long-lived assets, allocation of the purchase price for acquisitions, impairment of identifiable intangible assets, the assumptions used in determining the fair value of stock options, retention warrants and warrants and the allowance for doubtful accounts. On an ongoing basis, management reviews its estimates to ensure they appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future actual results, the Company's financial position and results of operations could be materially impacted.

Revenue recognition

The Company recognizes revenue when it is realized or realizable and earned. Revenues are earned through subscriptions, pay-per views, advertising, web hosting, site setup fees, ticketing and donor management services. The Company considers revenues realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or services have been provided to the customer, the sales price is fixed or determinable and the collectibility is reasonably assured. The company's different revenue streams are recognized as follows:

[a] Subscription Revenue

Subscription revenue is recognized on a straight-line basis over the subscription period which generally ranges from 30 days to one year. The Company defers the appropriate portion of cash received for which services have not been rendered. Revenue is presented net of refunds. Pay-per-view revenues are deferred and recognized in the period when the content is viewed.

[b] Advertising Revenue

Advertising revenue is generated by selling advertising impressions and sponsorship deals. Advertising impressions include banner and pre-roll advertisements which are delivered through the Company's website as well as through client or third-party sites delivering the Company's content. Advertising is sold through various means including: the Company, third-party advertising agents, content partners and distribution partners. CPM (cost per thousand) advertising revenue is generated by displaying an "impression" of an advertisement to a website user. The CPM advertising revenue is calculated by tracking "impression counts" via a third-party advertising serving software. The third party software will provide the total number of impressions during a time period to the Company. The Company then applies the contracted

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impression rate to the number of impressions in order to calculate advertising revenue. Advertising revenue is recognized in the period in which the impressions are served.

[c] Annual Fees for Web Hosting

These fees are billed and deferred at the beginning of the service period and are amortized over the term of the arrangement.

[d] Ticketing, Donor and Guest Management Services

Ticketing and donor management services fees are based on a percentage of sales and typically have a minimum revenue guarantee to the Company along with a percentage of sales clause. As the contract year for the services progresses, the Company will monitor the actual sales of the client and will accrue revenue according to the percent of sales clause in the contracts. At the end of the contract year, the Company will issue an invoice to the client for the unbilled portion of the percent of sales clause.

[e] Merchandise and Auction Revenue

The Company offers services to clients that allow them to sell merchandise and conduct auctions from the websites. The Company receives a revenue share from all merchandise and auction sales. The Company records the revenue share as revenue in the period in which the sale or auction takes place.

[f] Text Messaging

The Company recognizes revenue from fees earned for the delivery of sports content such as scores, news and programming reminders through a text messaging service to cell phone users. This revenue is recorded when the text messages are billed by the cell phone providers to their users, net of provision for doubtful accounts.

Stock-based compensation and other stock-based payments

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognized over the vesting period [note 15]. The fair value of stock options, retention warrants and warrants granted to employees is measured at the date of the grant. The fair value of the warrants granted to non-employees is measured as the warrants vest. The offsetting entry is an increase to contributed surplus for an amount equal to the stock-based compensation expense related to the issuance of stock options. Upon exercise, the proceeds of the options and warrants together with the fair value recorded in contributed surplus are reclassified to share capital.

Stock appreciation rights give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the stock appreciation right price or to receive common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury or receive common shares by making a cash payment equal to the exercise price. The Board of Directors has discretionary authority to accept

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or reject a cash payment request in whole or in part. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the option price with ongoing measurement of the outstanding liability. The liability is entitled accrued stock appreciation rights and is classified as a current liability on the consolidated balance sheets. If the holder elects to purchase common shares, the liability is credited to contributed surplus.

Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over the vesting period which is four years. Stock-based compensation expense related to restricted share units is accrued based on the market value of the shares when the shares are issued, which generally coincides with the vesting period of these awards *[note 14]*.

Variable interest entities

Accounting Guideline No. 15, "Consolidation of Variable Interest Entities", provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable interest entities. The guideline requires variable interest entities to be consolidated by the primary beneficiary of the variable interest entities and expands disclosure requirements for both variable interest entities that are consolidated as well as those of which an enterprise holds a significant variable interest.

The Company has a variable interest in KIT Capital Ltda. for which the Company is the primary beneficiary and has consolidated KIT Capital Ltda.'s financial results since its inception date [August 22, 2005] within the consolidated financial statements. As at December 31, 2007, the carrying value of the assets associated with KIT Capital Ltda. included in the consolidated balance sheets was \$22,085 [as at December 31, 2006 - \$14,035] and the carrying value of the liabilities was \$3,518 [as at December 31, 2006 - \$51,216]. For the year ended December 31, 2007, revenues associated with KIT Capital Ltda. included in the consolidated statements of operations were \$88,132 [year ended December 31, 2006 - \$67,162] and operating costs included within selling, general and administrative expenses were \$150,456 [year ended December 31, 2006 - \$67,924].

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term interest-bearing deposits with original maturities of approximately 90 days or less at the date of purchase.

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Accounts receivable

Accounts receivable are carried at original invoice amount. If a portion of the account balance is deemed uncollectible, the Company will either write off the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions.

Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated amortization. Amortization is calculated using the declining balance method on a monthly-basis at the annual rates outlined below, which allocates the cost of the property, plant and equipment over their estimated useful lives as follows:

Computer equipment	30%
Infrastructure equipment	30%
Computer software	50%
Furniture and fixtures	20%
Website development costs	50%

Leasehold improvements are amortized over the shorter of their useful lives and the lease term.

Intangible assets

Intangible assets are recorded at cost less amortization. Cost for intangible assets acquired through business combinations represents the fair market value at the date of acquisition. Amortization is calculated using the straight-line method over the estimated useful lives of the intangible assets which are as follows:

Contractual agreements	3-8 years
Trademarks, tradenames and domain names	2-5 years
Non-competition agreements	term of agreement

Impairment of long-lived assets

The Company evaluates its property, plant and equipment and indefinite life intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Recoverability of these assets is measured by comparison of the carrying amounts to the future estimated undiscounted cash flows

JumpTV Inc.

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expected to be derived from these assets. If these future cash flows are less than the carrying amount of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The Company has made no adjustments to its long-lived assets in any of the periods presented.

Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test at the reporting unit level (operating segment or one level below an operating segment) and between annual tests if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of each reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. The Company's impairment test was based on its single operating segment and reporting unit structure. There was no impairment in the year ended December 31, 2007.

Financial instruments

Financial instruments comprise cash and cash equivalents, short-term investments, other receivables, deposits, accounts payable, other accrued liabilities, due to related party, notes payable, obligations under capital lease and deferred revenue. They have been classified as one of the following: held-for-trading; available-for-sale, held-to-maturity; loans and receivables; or other financial assets and liabilities. Cash is classified as "held-for-trading" and is measured at fair value with gains and losses recognized in net loss for the year. Short-term investments are classified as "available-for-sale" and are measured at fair value with unrealized gains and losses recognized within accumulated other comprehensive income (loss).

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Comprehensive loss

Comprehensive loss is defined as the overall change in the net assets of an entity for a period, other than changes attributable to transactions with owners. Major components of comprehensive loss include unrealized gains and losses on financial assets classified as available-for-sale.

JumpTV Inc.

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Foreign currency translation

Until March 31, 2005, the Company's functional currency was the Canadian dollar. Accordingly, for reporting purposes, the Company translated its Canadian dollar accounts into the United States ["U.S."] reporting currency using the current rate method whereby assets and liabilities are translated at the consolidated balance sheet date exchange rates and revenues and expenses are translated at the average rate for the period. Adjustments resulting from the translation of the consolidated financial statements from their functional currency into U.S. dollars through March 31, 2005 are included within accumulated other comprehensive loss and have not been included in the determination of net loss for the relevant periods.

Beginning April 1, 2005, the Company's functional currency was determined to be the U.S. dollar. This change resulted from several significant economic and operational changes within the Company, including an increase in U.S. dollar vendors, increased U.S. dollar revenues and the movement of certain operations to locations in the United States. The Company's foreign operations are considered to be integrated with the reporting entity and therefore, transactions denominated in other than U.S. dollars are translated into U.S. dollars using the exchange rate at the dates they occur. Monetary assets and liabilities denominated in other than U.S. dollars are translated into U.S. dollars at the consolidated balance sheet date exchange rate and any resulting gains or losses are recognized in the net loss for the relevant periods. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations were incurred.

Income taxes

Income taxes are accounted for under the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the differences between the financial statement and income tax bases of assets and liabilities, and for operating losses. A valuation allowance is provided for the portion of future tax assets that is more likely than not to remain unrealized. Future tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when these assets or liabilities are expected to be realized or settled.

Operating leases

The Company leases office space under operating lease agreements with original lease periods up to five years. Certain of the lease agreements contain rent holidays and rent escalation provisions. Rent holidays and rent escalation provisions are considered in determining straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

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Capital leases

Leases entered into by the Company in which substantially all of the benefits and risk of ownership are transferred to the Company are recorded as capital leases and classified as property, plant and equipment and obligations under capital lease. Obligations under capital lease reflect the present value of future minimum lease payments, discounted at an appropriate rate, and are reduced by rental payments net of imputed interest. Assets under capital leases are depreciated based on the useful life of the asset. All other leases are classified as operating leases and leasing costs are expensed in the period in which they are incurred.

3. Business Acquisitions

[i] SportsYA

On January 5, 2007, the Company completed the acquisition of all of the outstanding shares of SportsYA, the owner of www.SportsYA.com, a sports content website targeting the Hispanic market residing in the United States and Latin America. The acquisition has been accounted for using the purchase method. The results of SportsYA have been consolidated from January 5, 2007 and are included in the Company's results of operations.

The purchase price of \$1,363,212 consisted of 177,995 common shares of JumpTV with a fair value of approximately \$1,100,000 and \$266,520 in direct transaction costs including non-cash consideration of 13,350 common shares with a fair value of \$82,295, net of cash acquired of \$3,308.

The acquisition has been accounted for using the purchase method, with the results of SportsYA included in the Company's results of operations from the date of acquisition.

The allocation of the purchase price to the net assets acquired is as follows:

Non-cash working capital	\$	19,090
Contractual agreements		97,700
Trademarks, tradenames and domain names		106,600
Non-competition agreements		83,300
Goodwill		<u>1,056,522</u>
Net assets acquired and total purchase price, net of cash acquired	\$	<u>1,363,212</u>

In connection with the acquisition, the principal former owner of SportsYA signed a consulting agreement with JumpTV. Accordingly, 330,000 common shares of JumpTV were placed into escrow and will be earned and paid in 48 equal monthly installments. The fair value of these shares will be recorded in stock-based compensation expense on the consolidated statements of operations over the 48-month vesting period. As at December 31, 2007, 82,500 common shares have been issued. For the year ended December 31, 2007, the Company recognized stock-based

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compensation expense of \$385,206 related to the consulting agreement. There were no such comparable amounts for the prior year.

[ii] Cycling TV

On July 31, 2007, the Company completed the acquisition of all of the outstanding shares of Cycling TV, an Internet broadcaster of top-tier international cycling races. The acquisition has been accounted for using the purchase method. The results of Cycling TV have been consolidated from August 1, 2007 and are included in the Company's results of operations.

The purchase price of \$4,690,906 consists of cash consideration of \$2,267,000, 743,349 common shares of JumpTV with a fair value of approximately \$2,267,214 and direct transaction costs of \$233,929 including non-cash consideration of 9,500 common shares with a fair value of \$27,287, net of cash acquired of \$77,237.

The allocation of the purchase price to the net assets acquired is as follows:

Non-cash working capital	\$	(338,996)
Property, plant and equipment		105,119
Contractual agreements		471,800
Trademarks, tradenames and domain names		19,800
Non-competition agreements		287,400
Goodwill		4,160,355
Long-term liability		<u>(14,572)</u>
	\$	<u>4,690,906</u>

The purchase price of Cycling TV contains contingent purchase price consideration of 1,840,097 common shares. The number of shares will be based on a July 31, 2009, 24 month revenue milestone.

The contingent consideration will be accounted for as an addition to the purchase price consideration when the shares are issued or become issuable. In addition, a portion of the shares are subject to continuing employment of the former owner. This portion of the contingent consideration will be recorded as compensation expense. As at December 31, 2007, the Company's uncertain as to whether Cycling TV will achieve the revenue milestone.

The purchase price allocation of the tangible and intangible assets is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase.

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[iii] Broadband Network Division of XOS Technologies Inc.

On August 31, 2007, the Company entered into an asset purchase agreement to acquire the XOS Network Division. The acquisition has been accounted for using the purchase method. The results of the JumpTV Sports have been consolidated from September 1, 2007 and are included in the Company's results of operations.

The purchase price of \$60,926,708 consists of cash paid on closing in the amount of \$60,250,000, and direct transaction costs of \$754,195, net of cash acquired of \$77,487.

The allocation of the purchase price to the net assets acquired is as follows:

Non-cash working capital	\$ (2,318,523)
Property, plant and equipment	2,949,200
Contractual agreements	17,860,000
Trademarks, tradenames and domain names	20,901
Goodwill	42,637,334
Long-term liabilities	<u>(222,204)</u>
	\$ <u>60,926,708</u>

The purchase price allocation of the tangible and intangible assets is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase.

[iv] HV Media, Limited

On June 11, 2006, the Company completed the acquisition of the assets of HVMedia, Limited ["HVMedia"], a company operating in Trinidad and Tobago offering broadcasting over the Internet targeted to the Caribbean market. The total purchase price of \$478,747 consisted of cash consideration of \$375,000, of which \$25,000 is to be held in escrow for the next 3 years and approximately \$103,500 in direct transaction costs including non cash consideration relating to warrants of approximately \$19,000. The assets purchased primarily represent agreements with television and radio channels, and right to Internet domain names. In addition, the Company acquired employment contracts for certain employees of HVMedia.

The acquisition has been accounted for using the purchase method, with the results of HVMedia included in the Company's results of operations from the date of acquisition. The allocation of the purchase price to the assets acquired based on fair values is as follows:

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Cash acquired	\$ 4,126
Contractual agreements	330,800
Trademarks, trade names and domain names	27,200
Goodwill	<u>116,621</u>
	<u>\$478,747</u>

The amortizable intangible assets have useful lives between 2 and 4 years and the goodwill is not deductible for tax purposes. Further, in connection with the acquisition, two key employees of HVMedia received 75,000 warrants each, with an exercise price of \$4.97 [Cdn\$5.50] per share. The fair value of these warrants is being recorded as compensation expense over the vesting period of four years. In addition, the Company issued 10,000 warrants to acquire common shares at \$6.00 per share to a third party as a finder's fee in connection with the acquisition. The fair value of these warrants has been included in direct transaction costs which are part of the total purchase price.

4. Loss per Share

Basic loss per share is computed by dividing net loss for the year by the weighted average number of shares outstanding for the year. Diluted loss per share is computed by dividing net loss for the year by the weighted average number of shares outstanding and, if dilutive, potential common shares using the treasury stock method. Potential common shares consist of stock options, restricted share units, stock appreciation rights and warrants.

For the years ended December 31, 2007 and 2006, the Company had potential common shares which, due to the losses incurred, were considered anti-dilutive equity instruments. Accordingly, the effect of these instruments has not been reflected in computing diluted loss per share for the years ended December 31, 2007 and 2006.

The following table summarizes the different potential common shares that were outstanding as at December 31, 2007 and 2006 but were not included in the computation of diluted loss per share as their effect would have been anti-dilutive. See note 15 for additional details.

	December 31, 2007 #	December 31, 2006 #
Stock options	5,605,184	4,112,059
Restricted share plan units	315,926	591,414
Stock appreciation rights	3,384,020	1,300,000
Warrants	1,937,474	1,261,174
Retention warrants	1,135,894	—
Common shares held in escrow [note 3[i]]	247,500	—
Contingent performance consideration [note 3[ii]]	1,840,097	—

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5. Cash and Cash Equivalents

Cash consists of the following:

	December 31, 2007 \$	December 31, 2006 \$
Cash [i]	15,229,098	6,220,296
Money market funds [ii]	2,972,983	15,637,690
Global bond [iii]	22,993,351	—
Corporate bond [iv]	10,007,552	—
Unrestricted funds held in trust [v]	—	78,892
	<u>51,202,984</u>	<u>21,936,878</u>

[i] Cash consists primarily of U.S. and Canadian dollar accounts which earn interest at approximately 2% to 5%.

[ii] Money market funds consist of a U.S. [\$2,619,419] and a Canadian dollar account [Cdn\$311,978] which earn interest at approximately 3% to 5%.

[iii] Global bond represents a 78-day global bond with a cost plus accrued interest of \$22,993,351 which earns interest at approximately 4% and matured on January 15, 2008.

[iv] Corporate bond represents a 95-day global bond with a cost plus accrued interest of \$10,007,552 which earns interest at approximately 5.75% and matured on February 1, 2008.

[v] Unrestricted funds held in trust relate to monies held to fund costs for a subsidiary of the Company and monies held by underwriters to fund future expenditures. There are no restrictions related to monies held in trust.

6. Short-term Investments

During the year ended December 31, 2007, the Company redeemed investments with a cost of \$28,000,000 for proceeds of \$28,295,626. As at December 31, 2007, short-term investments consisted of a guaranteed investment certificate at cost plus accrued interest totaling \$130,640 [December 31, 2006 - \$107,263] which matures on July 17, 2008 and bears interest at 3.75%.

JumpTV Inc.

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7. Related Party Transactions

The Company has entered into certain transactions and agreements in the normal course of operations with related parties as follows:

Patstar Inc.

On occasion, Patstar Inc., a company controlled by the Company's Executive Chairman, receives reimbursement of expenditures incurred on behalf of the Company. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. At December 31, 2007, the Company had balances due to Patstar Inc. of \$37,229 [December 31, 2006 – \$14,676] related to these reimbursements. In addition, rent expense paid by Patstar Inc. of \$36,472 is included in selling, general and administrative expenses for the year ended December 31, 2007 [2006 – \$47,818]. All reimbursements and rent expense are recorded at the exchange amount.

Advances

During 2006, the Company advanced funds to an officer who is no longer with the Company. During 2007, these advances were being paid down on a monthly basis. During the year, the outstanding amount owing of \$78,266 was settled, with a corresponding charge to selling, general and administrative expenses within the consolidated statement of operations. The balance of the advance at December 31, 2006 was \$15,743, which is included in prepaid expenses and deposits.

8. Property, Plant and Equipment

The details of property, plant and equipment and the related accumulated amortization are set forth below for the following periods:

	December 31, 2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	2,196,670	437,707	1,758,963
Infrastructure equipment	1,906,798	475,966	1,430,832
Computer software	2,651,640	517,023	2,134,617
Furniture and fixtures	507,406	81,468	425,938
Leasehold improvements	1,040,039	154,246	885,793
Website development costs	161,059	36,637	124,422
	<u>8,463,612</u>	<u>1,703,047</u>	<u>6,760,565</u>

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	December 31, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	507,217	155,049	352,168
Infrastructure equipment	773,198	139,861	633,337
Computer software	169,614	49,752	119,862
Furniture and fixtures	124,683	14,528	110,155
Leasehold improvements	58,386	4,420	53,966
	<u>1,633,098</u>	<u>363,610</u>	<u>1,269,488</u>

The following amortization expense is included with direct broadcast operating costs on the consolidated statements of operations:

Years ended December 31	2007 \$	2006 \$
Infrastructure equipment	376,449	127,634
Computer software	379,496	—
Website development costs	26,236	—
	<u>782,181</u>	<u>127,634</u>

9. Intangible Assets

The details of intangible assets and the related accumulated amortization are set forth below:

	December 31, 2007		
	Cost \$	Accumulated amortization \$	Net book value \$
Contractual agreements	19,131,000	974,387	18,156,613
Trademarks, tradenames and domain names	187,001	37,733	149,268
	<u>19,318,001</u>	<u>1,012,120</u>	<u>18,305,881</u>

JumpTV Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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December 31, 2007

	December 31, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Contractual agreements	330,800	48,967	281,833
Trademarks, tradenames and domain names	39,700	9,393	30,307
	<u>370,500</u>	<u>58,360</u>	<u>312,140</u>

Amortization expense related to the Company's acquired contractual agreements with content partners for the year ended December 31, 2007 of \$861,970 [year ended December 31, 2006 – nil] is included within direct broadcast operating costs on the consolidated statements of operations.

Based on the preliminary estimated amount of intangible assets subject to amortization, the Company's estimated amortization expense over the next five years is as follows:

	\$
2008	2,529,758
2009	2,507,183
2010	2,453,934
2011	2,398,817
2012	<u>2,387,167</u>

10. Bank Indebtedness

On December 31, 2006, the Company had a \$1,287,150 [Cdn\$1,500,000] credit facility with a Canadian chartered bank to finance general corporate requirements, which was fully drawn upon as of December 31, 2006. The loan was repayable on demand bearing interest at prime [6% as of December 31, 2006]. During the year ended December 31, 2007, this loan was repaid in full.

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11. Notes Payable

The first promissory note requires the Company to make equal annual payments of principal and interest through November 2010. The outstanding balance on the note at December 31, 2007 was \$45,467 [December 31, 2006 – nil]. Interest is charged on the outstanding balance at the rate of 11.14% per annum.

The second promissory note requires the Company to make monthly payments of principal and interest through January 2008. The outstanding balance on the note at December 31, 2007 was nil [December 31, 2006 – nil]. Interest is charged on the outstanding balance at the rate of 4.34% per annum.

Annual principal payments of the notes payable are as follows:

	\$
2008	13,586
2009	15,099
2010	16,782

The promissory notes are recorded at their fair values, which is determined based on the present value of cash flows.

On August 31, 2007, the Company assumed the obligation for two promissory notes in connection with the acquisition of the XOS Network Division.

JumpTV Inc.

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12. Obligations under Capital Lease

In conjunction with the acquisitions of XOS Network Division and Cycling TV, the Company assumed the following capital lease obligations:

[i] The Company assumed a capital lease obligation from XOS Network Division whereby the Company is required to make monthly payments of \$8,782 through September 2009. Interest is computed monthly at 12.5% per annum. The fair value of the equipment of \$161,655 is included in computer equipment in the accompanying consolidated balance sheets at December 31, 2007. Amortization of \$15,569 was recognized for the year ended December 31, 2007 [year ended December 31, 2006 – nil]. As at December 31, 2007, the remaining principal balance of the capital lease was \$157,809 [December 31, 2006 – nil].

[ii] The Company assumed a capital lease obligation from XOS Network Division whereby the Company is required to make monthly payments of \$1,695 through November 2009. Interest is computed monthly at 8.6% per annum. The fair value of the equipment of \$20,751 is included in computer equipment in the accompanying consolidated balance sheets at December 31, 2007. Amortization of \$1,999 was recognized for the year ended December 31, 2007 [year ended December 31, 2006 – nil]. As at December 31, 2007, the remaining principal balance of the capital lease was \$16,399 [December 31, 2006 – nil].

[iii] The Company assumed a capital lease obligation from CyclingTV whereby the Company is required to make monthly payments of \$2,078 through March 2009. Interest is computed monthly at 7.5% per annum. The fair value of the equipment of \$28,638 is included in infrastructure equipment in the accompanying consolidated balance sheets at December 31, 2007. Amortization of \$3,484 was recognized for the year ended December 31, 2007 [year ended December 31, 2006 – nil]. As at December 31, 2007, the remaining principal balance of the capital lease was \$26,555 [December 31, 2006 - nil]

Annual principal payments of these capital lease obligations are as follows:

	Computer equipment \$	Infrastructure equipment \$	Total \$
2008	99,136	21,329	120,465
2009	75,072	5,227	80,299
	174,208	26,556	200,764

The obligations under capital lease are recorded at their fair values, which is determined based on the present value of cash flows.

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13. Commitments and Contingencies

Commitments

The Company has operating lease commitments for its premises in New York, United States, Toronto, Canada, Sanford, United States and London, England. In addition, the Company has operating leases for certain computer hardware and infrastructure equipment. Furthermore, the Company has marketing and content license fee commitments to channel partners. Future minimum annual payments per fiscal year [exclusive of taxes, insurance and maintenance costs] under these commitments are as follows:

	Marketing and license fees \$	Operating leases \$
2008	5,844,223	2,402,311
2009	1,290,795	1,417,272
2010	1,168,280	1,153,128
2011	367,543	1,238,535
2012	—	357,909
	8,670,841	6,569,155

Contingencies

On June 12, 2006, an online media broadcaster filed a complaint in the Florida State court against XOS Technologies, Inc. and a co-defendant. The complaint alleges a claim for tortious interference with contractual relations against XOS Technologies, Inc.; a breach of contract, misappropriation of trade secrets and confidential information under Florida and New York laws, and a breach of fiduciary duty against the co-defendant; and conspiracy to misappropriate trade secrets and conspiracy to breach fiduciary duty against both defendants. On August 31, 2007, in conjunction with the acquisition of XOS Network Division, JumpTV assumed this claim. It is management's opinion that the claim will not be successful, and accordingly the Company has not accrued for any amounts relating to this claim.

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims, including claims that content broadcast by the Company may infringe on the intellectual property rights of others. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of any such contingencies will not have a material adverse effect on the financial position and results of operations of the Company.

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14. Share Capital

Share capital consists of the following:

	December 31, 2007 \$	December 31, 2006 \$
Authorized		
Unlimited common shares, voting, no par value, discretionary non-cumulative dividend		
Unlimited Class 1 preference shares, non-voting, no par value, discretionary partly cumulative or non- cumulative dividends		
Unlimited Class 2 preference shares, non-voting, no par value, discretionary partly cumulative or non- cumulative dividends		
Issued and outstanding		
Common shares		
December 31, 2007: Issued and outstanding: 49,144,313 [December 31, 2006: 34,821,121]	172,697,828	75,227,648

During the year ended December 31, 2007, the Company completed the following issuances and cancellations of its common shares, excluding issuances relating to stock options, warrants, retention warrants and restricted share plan units *[note 15]*:

Date	#	\$
January 5, 2007 [i]	521,345	1,182,295
February 23, 2007 [ii]	13,043,479	93,104,131
June 26, 2007 [iii]	197,628	934,900
August 17, 2007 [iv]	9,500	27,287
September 11, 2007 [v]	(50,000)	(176,084)
September 28, 2007[v]	(176,100)	(620,269)
September 28, 2007[vi]	743,349	2,267,214
October 3, 2007 [v]	(45,900)	(161,407)
December 24, 2007 [v]	(361,700)	(1,270,857)
	13,881,601	95,287,210

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[i] On January 5, 2007, the Company issued 191,345 common shares with a fair value of approximately \$1,182,295 to complete the purchase of 100% of the outstanding shares of SportsYA [note 3[i]].

On January 5, 2007, the Company issued 330,000 common shares into escrow in respect of a consulting agreement signed with the principal former owner of SportsYA. Accordingly, 330,000 common shares of JumpTV were placed into escrow and will be released and paid in 48 equal monthly installments. The fair value of these shares will be recorded in stock-based compensation expense on the consolidated statements of operations over the 48-month vesting period. During the year ended December 31, 2007 and 2006, 82,500 and nil shares have been released from escrow with fair values of \$385,206 and nil, respectively, that have been recorded in stock-based compensation expense on the consolidated statements of operations [note 3[i]]. For accounting purposes, the common shares issued into escrow are treated as a variable interest entity and are consolidated in the accounts of the Company.

[ii] On February 23, 2007, in connection with a secondary public offering of the Company, the Company issued 13,043,479 common shares for net proceeds of \$93,104,131.

[iii] On June 26, 2007, in connection with an advertising agreement, the Company issued 197,628 common shares with a fair value of \$934,900.

[iv] On August 17, 2007, in connection the acquisition of Cycling TV, the Company issued 9,500 common shares with a fair value of \$27,287 as a finder's fee [note 3[ii]].

[v] In connection with the Company's normal course issuer bid, the Company purchased and cancelled the following common shares:

	#	\$
September 11, 2007	(50,000)	(176,084)
September 28, 2007	(176,100)	(620,269)
October 3, 2007	(45,900)	(161,407)
December 24, 2007 (1)	(361,700)	(1,270,857)
	(633,700)	(2,228,617)

(1) The shares were only cancelled on January 3, 2008 due to an administrative error.

[vi] On September 28, 2007, in connection with the acquisition of Cycling TV, the Company issued 743,349 common shares with a fair value of \$2,267,214 as initial share consideration [note 3[ii]].

The purchase price consideration of Cycling TV includes a contingent consideration of 1,840,097 common shares of the Company subject to Cycling TV achieving a revenue milestone [note 3[ii]].

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15. Stock Option and Stock-Based Compensation Plans

[i] Stock Option Plan

On September 2, 2005, a new stock option plan [the "New Plan"] was created that applies to all future grants of options to directors, officers, employees and consultants of the Company or any entity controlled by the Company. The exercise price for any option granted under the New Plan will be determined by the five-day average closing price of the Company's common shares prior to the date of grant but cannot be less than such a price. Prior to the Company completing its initial public offering, the exercise price of any stock options granted under the New Plan was determined by the Company's Board of Directors. Options are exercisable during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the option in the event the holder of the option dies or ceases to be a director, officer or employee of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of common shares issuable upon exercise of options granted pursuant to the New Plan is equal to the greater of [i] 4,000,000 common shares; and [ii] 12.5% of the number of issued and outstanding common shares.

A summary of stock option activity under the Plan is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	4,112,059	3.07
Granted	3,050,750	5.51
Re-priced to \$3.00	569,000	3.00
Re-priced greater than \$5.80	(569,000)	6.20
Exercised	(238,355)	2.11
Cancelled/forfeited	(1,319,270)	4.56
Outstanding, December 31, 2007	5,605,184	3.76

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The following table summarizes stock option information of the New Plan as at December 31, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	1,375,471	1.65	1,096,533
2.50	799,602	2.44	521,497
3.00	1,118,000	4.28	358,941
3.86	112,500	4.79	4,688
4.00	251,570	3.18	113,703
5.00	100,000	3.61	33,333
5.82	25,000	3.68	—
6.00	55,417	2.94	23,938
6.05	1,098,750	4.28	180,000
6.08	26,750	3.84	—
6.26	583,562	4.14	126,051
6.43	58,562	2.66	20,656
	5,605,184	3.27	2,479,340

For the year ended December 31, 2007 and 2006, \$3,722,600 and \$1,231,434 were recorded for total stock-based compensation expense related to stock options. The weighted average exercise price of options exercisable as at December 31, 2007 was \$2.88 [December 31, 2006 - \$2.29].

The weighted average fair value of all stock options granted during the year ended December 31, 2007 and 2006 was \$2.92 and \$2.14 based on the following assumptions:

Years ended December 31

	2007	2006
Weighted average		
Exercise price of stock options granted	\$5.51	\$3.95
Expected volatility	71%	72%
Risk-free interest rate	3.93%	4.52%
Expected life [years]	4	4
Dividend yield	nil	nil

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During the year ended December 31, 2007, the Company agreed, as part of severance conditions, to extend or accelerate the vesting of stock options for certain employees who left the Company and to extend the expiry term to various periods beyond the 90-day period from departure as detailed in the Company's stock option plan. Accordingly, the Company has accounted for these modifications as additional grants and has recognized additional stock-based compensation expense in the amount of \$582,388 relating to the fair value of these additional awards. No such expense was recognized during the comparative year December 2006.

On November 13, 2007, the shareholders of the Company approved a resolution to provide employees/consultants (officers and directors not being able to participate) holding options with an exercise price of \$5.80 or greater to elect to:

- (i) continue status quo with these options;
- (ii) elect to forfeit 25% of their current holdings with any unvested options being forfeited prior to any vested options in exchange for 50% of their remaining options being re-priced to \$3.00 and the remaining 25% remaining at the same price

As such, 569,000 options that were originally priced at \$5.80 or greater were re-priced to \$3.00 and 284,500 options were forfeited. Accordingly, the Company has accounted for these modifications as additional grants and has recognized additional stock-based compensation expense in the amount of \$117,789 relating to the fair value of these additional awards. No such expense was recognized during the comparative year December 2006.

[ii] Restricted Share Plan

On September 2, 2005, the Board of Directors approved a restricted share plan ["Restricted Share Plan"] that applies to all future grants of restricted shares to employees and consultants of the Company. Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over a 48-month period. The maximum number of restricted shares issuable shall be no greater than the equivalent of 1,000,000 common shares.

A summary of restricted share activity under the restricted share plan is as follows:

	#
Outstanding, December 31, 2006	591,414
Granted	10,000
Forfeited	(85,952)
<u>Vested and issued for common shares</u>	<u>(199,536)</u>
Outstanding, December 31, 2007	315,926

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During the years ended December 31, 2007 and 2006, the Company recognized stock-based compensation expense of \$1,161,328 and \$1,631,382, respectively related to its restricted share plan. In addition, the Company issued common shares in 2006 and 2007 related to restricted share plan units with a fair value of \$43,368 which is being expensed in 2007. Prior to the IPO on August 10, 2006, stock-based compensation expense was based on the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, compensation expense was determined based on the Company's closing market price on the TSX per common share. During the year ended December 31, 2007, 199,536 restricted share plan units were vested and issued for common shares of the Company.

[iii] Warrants

The Company issued warrants that are convertible into common shares of the Company as follows:

On September 2, 2005, the Company granted 100,000 warrants with an exercise price of \$1.80 to one of its directors related to consulting services provided. For the years ended December 31, 2007 and 2006, the Company expensed \$25,400 and \$25,400, respectively, which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

In connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants with an exercise price of \$1.80 to purchase common shares of the Company. The total estimated fair value of \$102,670 has been capitalized in deferred direct broadcast operating costs and are amortized to direct broadcast operating costs over the 35-month term of the related agreement. For the years ended December 31, 2007 and 2006, the Company expensed \$35,196 and \$35,198, respectively which are included within direct broadcast operating costs on the consolidated statements of operations.

On June 5, 2006, the Company amended the terms of this channel partner agreement such that the Company was required to complete an initial public offering by August 15, 2006 as opposed to the original agreed upon date of June 30, 2006. In consideration of this amendment, the Company issued to the channel partner 7,500 warrants with an expiry of five years from the date of issuance at an exercise price of \$6.00 per warrant. For the years ended December 31, 2007 and 2006, the Company expensed \$3,907 and \$2,440, respectively which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

On May 31, 2006, as part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants each at an exercise price of \$4.97 [Cdn\$5.50] per warrant. For the years ended December 31, 2007 and 2006, the Company expensed \$97,952 and \$57,137, respectively which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

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On August 10, 2006, the Company issued 663,674 warrants to its underwriters at an exercise price of \$5.00 [Cdn\$5.50] per warrant. Each warrant is exercisable into one common share of the Company and expires within two years. The fair value of these warrants in the amount of \$1,394,313 has been recorded in share capital as a share issuance cost.

On November 30, 2006, in connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants with an exercise price of \$6.23 to purchase common shares of the Company. For the years ended December 31, 2007 and 2006, the Company expensed \$90,384 and \$52,722, respectively which are included within direct broadcast operating costs on the consolidated statements of operations.

In addition, during 2006, the Company issued 230,000 warrants to members of the Advisory Board of the Company at exercise prices of \$4.00 to \$6.00 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the years ended December 31, 2007 and 2006, the Company expensed \$131,898 and \$61,798, respectively which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

On August 3, 2007, the Company issued 50,000 warrants to a television manufacturer. The exercise price of these warrants will be determined based on meeting certain milestones. As at December 31, 2007, these milestones have not been met, therefore the measurement date has not occurred. Accordingly, for the year ended December 31, 2007, no compensation expense was recognized related to these warrants. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years.

On August 10, 2007, the Company issued 100,000 warrants to the president and CEO of Cycling TV at an exercise price of \$3.86 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the years ended December 31, 2007, the Company expensed \$14,609 which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

On August 21, 2007, the Company issued 500,000 warrants to the current President of the Company at an exercise price of \$3.86 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the years ended December 31, 2007, the Company expensed \$67,424 which are included within stock-based compensation and other compensation payments expense on the consolidated statements of operations.

On November 13, 2007, the Company issued 30,000 warrants to a sports media broadcaster at an exercise price of \$2.20 per warrant. Each warrant is exercisable into one common share of the Company, vests immediately and expires after five years. For the years ended December 31, 2007, the Company expensed \$35,643 which are included in stock-based compensation and other compensation payments expense on the consolidated statements of operations.

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The total stock-based compensation expense related to warrants expensed during the years ended December 31, 2007 and 2006 was \$376,525 and \$146,676, respectively. The total direct broadcast operating costs related to warrants expensed during the years ended December 31, 2007 and 2006 were \$125,580 and nil, respectively.

A summary of the warrant activity during the year ended December 31, 2007 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	1,261,174	4.88
Granted	630,000	3.78
Granted – no strike price	50,000	n/a
Exercised	(3,700)	4.00
Outstanding, December 31, 2007	1,937,474	4.51

The fair value of warrants was determined using the Black-Scholes option pricing model.

The following table summarizes the warrant information as at December 31, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	100,000	1.75	62,500
2.20	30,000	9.85	30,000
3.86	600,000	4.66	50,000
4.00	96,300	3.25	39,738
4.97	150,000	3.44	56,250
5.00	663,674	0.61	663,674
6.00	147,500	3.31	67,813
6.23	100,000	3.92	39,583
n/a	50,000	5.00	—
	1,937,474	2.91	1,009,558

The weighted fair value of warrants granted during the years ended December 31, 2007 and 2006 was \$1.48 and \$2.08, respectively, based on the following assumptions:

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Years ended December 31

	2007	2006
Weighted average		
Exercise price of warrants granted	\$3.78	\$5.14
Expected volatility	68%	72%
Risk-free interest rate	4.20%	4.80%
Expected life [years]	4	4
Dividend yield	nil	nil

[iv] Retention Warrant Plan ["Warrant Plan"]

On November 13, 2007, a retention warrant plan [the "Warrant Plan"] was created that applies to all future grants of retention warrants to employees and consultants of the Company or any entity controlled by the Company. The exercise price for any retention warrant granted under the Warrant Plan will be determined by the five-day average closing price of the Company's common shares prior to the date of grant but cannot be less than such a price. Retention warrants are exercisable during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the retention warrant in the event the holder of the retention warrant dies or ceases to be an employee or consultant of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of common shares issuable upon exercise of retention warrants granted pursuant to the Warrant Plan is equal to 2,500,000 common shares.

A summary of the warrant activity during the year ended December 31, 2007 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	—	—
Granted	1,176,000	3.86
Forfeited	(40,106)	3.86
Outstanding, December 31, 2007	1,135,894	3.86

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The following table summarizes the warrant information as at December 31, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
3.86	1,135,894	4.67	95,028

The weighted fair value of warrants granted during the year ended December 31, 2007 was \$1.49 based on the following assumptions:

Years ended December 31	2007	2006
Weighted average		
Exercise price of warrants granted	\$3.86	n/a
Expected volatility	68%	n/a
Risk-free interest rate	4.19%	n/a
Expected life [years]	4	n/a
Dividend yield	nil	n/a

[v] Stock Appreciation Rights Plan ["SARS"]

On September 2, 2005, the Company established a stock appreciation rights plan ["SARS Plan"]. The maximum number of units that can be granted under the SARS Plan is equivalent to the greater of 1,500,000 or 5% of the aggregate number of issued and outstanding common shares. The exercise price shall be determined by the Board of Directors at the time of grant but in no event shall the exercise price be lower than the market price of the common shares at the time of the grant. Each unit granted under the SARS Plan has a maximum life of five years from the date of the grant. The SARS Plan provides the unitholder the right to settle the award as follows:

- [1] Receive cash compensation less the exercise price or to purchase or receive an equivalent number of common shares, less the exercise price;
- [2] In lieu of receiving a cash settlement, the unitholder can elect to receive a number of common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury; or
- [3] Elect to pay the Company the exercise price and receive common shares equal to the number of units granted under the SARS Plan from treasury.

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The Board of Directors has discretionary authority to accept or reject a cash payment request in whole or in part.

On November 13, 2007, the Company increased the maximum number of units that can be granted under the SARS Plan to the greater of 4,150,000 or 5% of the issued and outstanding common shares of the Company.

A summary of the SARS activity during the year ended December 31, 2007 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	1,300,000	4.15
Granted	2,535,500	4.56
Re-priced to \$3.00	216,250	3.00
Re-priced from \$6.26	(216,250)	6.26
Forfeited	(451,480)	5.70
Outstanding, December 31, 2007	3,384,020	4.04

The following table summarizes the SARS information as at December 31, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
3.00	1,541,250	4.73	164,882
4.00	1,100,000	3.31	708,316
6.26	742,770	4.38	135,868
	3,384,020	4.19	1,009,066

On November 13, 2007, the shareholders of the Company approved a resolution to provide employees/consultants (officers and directors not being able to participate) holding SARS with an exercise price of \$5.80 or greater to elect to:

- (iii) continue status quo with these SARS;
- (iv) elect to forfeit 25% of their current holdings with any unvested SARS being forfeited prior to any vested SARS in exchange for 50% of their remaining SARS being re-priced to \$3.00 and the remaining 25% remaining at the same price

As such, 216,250 SARS that were originally priced at \$5.80 or greater were re-priced to \$3.00 and 108,125 SARS were forfeited.

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Prior to the IPO on August 10, 2006, stock-based compensation expense was based on the change in the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, stock-based compensation expense was determined based on the Company's closing market price on the TSX which as at December 31, 2007 was \$2.30 [Cdn\$2.26] per common share. Accordingly, the Company recognized a stock-based compensation recovery of \$1,087,760 and an expense of \$1,087,760 for the years ended December 31, 2007 and 2006 related to outstanding units granted under the Company's SARS Plan.

In summary, as at December 31, 2007 and 2006, the number of common shares of the Company reserved for issuance is as follows:

	Exercise price \$	Expiry/ vesting date	December 31, 2007 #	December 31, 2006 #
Stock options				
<i>[note 15[i]]</i>	1.80	June 2006 - November 2010	1,375,471	1,662,254
	2.50	March 2011	799,602	1,289,501
	3.00	April 2011 – October 2012	1,118,000	—
	3.86	October 2012	112,500	—
	4.00	April 2011	251,570	316,627
	5.00	August 2011	100,000	100,000
	5.82	September 2011	25,000	100,000
	6.00	April 2011 – June 2011	55,417	171,177
	6.05	April 2012	1,098,750	—
	6.08	November 2011	26,750	111,000
	6.26	June 2010 – May 2011	583,562	—
	6.43	December 2011	58,562	301,500
	7.16	November 2011	—	60,000
Restricted share units				
<i>[note 15[ii]]</i>	—	July 2009 - March 2011	315,926	591,414
Warrants <i>[note 15[iii]]</i>	1.80 - 6.23	September 2009 - August 31, 2012	1,937,474	1,261,174
Retention Warrants <i>[note 15[iv]]</i>	3.86	August 31, 2012	1,135,894	—
Stock appreciation rights <i>[note 15[v]]</i>	3.00 - 6.26	April 2011 – October 2012	3,384,020	1,300,000
			12,378,498	7,264,647

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16. Supplemental Cash Flow Information

During the years ended December 31, 2007 and 2006, the Company paid the following interest and taxes:

	2007	2006
	\$	\$
Interest	18,532	—
Taxes	—	—

Excluded from the consolidated statements of cash flows are the following non-cash transactions:

For the year ended December 31, 2007:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$329,164.
- [ii] issuance of 199,536 common shares with a fair market value of approximately \$949,936 in regards to the vesting of restricted share plan units.
- [iii] issuance of 191,345 common shares with a fair market value of \$1,182,295 in regards to the acquisitions of Sports YA.
- [iv] issuance of 743,349 common shares with a fair market value of \$2,267,214 in regards to the initial share consideration for Cycling TV.

For the year ended December 31, 2006:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$517,156.

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17. Income Taxes

Future income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's future tax assets and liabilities are as follows:

	2007	2006
	\$	\$
Tax basis in excess of book value	5,540,800	3,507,144
Non-capital loss carryforwards	13,825,024	7,302,206
Total future tax assets	19,365,824	10,809,350
Valuation allowance for future tax assets	(19,365,824)	(10,809,350)
Net future tax asset	—	—

The reconciliation of income taxes at the statutory rates of 36.12% and 33%, respectively to the provision for income taxes is as follows:

Years ending December 31	2007	2006
	\$	\$
Income tax recovery at combined federal and provincial rate	(11,022,690)	(8,432,093)
Stock-based compensation	1,682,012	1,352,126
Non-deductible items	36,412	28,372
Financing fees	(1,379,627)	(287,424)
Non taxable portion of capital gains	(104,923)	—
Amortization of intangible assets	—	14,590
Reserves	—	15,510
Foreign losses not benefited	—	804,324
Foreign tax rate differential	—	(123,906)
Valuation allowance	10,842,066	6,673,801
	53,250	45,300

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The Company has approximately Cdn\$47,671,000 in Canadian non-capital tax losses available to be applied against future years' income which expire as follows:

	Canadian \$
2008	230,000
2009	315,000
2010	198,000
2011	—
2012 to 2027	46,928,000
	<hr/> 47,671,000

Due to the losses incurred since inception and expected future operating results, in accordance with CICA Handbook Section 3465, "Income Taxes", a 100% valuation allowance has been recorded against the Company's future tax assets as it is more likely than not that the future tax asset resulting from the tax losses available for carryforward will not be realized through the reduction of future income tax payments.

18. Financial Instruments

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, other receivables, deposits, accounts payable, other accrued liabilities, amounts due to related parties, accrued license fees, accrued professional fees, notes payable, obligations under capital lease, income taxes payable and deferred revenue.

Fair value of financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our financial instruments approximates their carrying value due to the short maturity term of these financial instruments. Notes payable and obligations under capital leases are measured at their fair value as determined based on the present value of cash flows.

Risks associated with financial instruments

[i] Currency risk

The Company's activities which result in exposure to fluctuations in foreign exchange rates consist of its customer billings being in U.S. dollars and the majority of expenses being paid in foreign currencies. The Company does not use derivative financial instruments to reduce its currency risk.

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[ii] Interest rate risk

The Company is exposed to interest rate risk on its invested cash and cash equivalents and its short-term investments. The interest rates on these instruments are based on the bank's prime rate and therefore are subject to change with the market. The Company does not use derivative financial instruments to reduce its interest rate risk.

19. Segmented Information

The Company has one operating segment and one reportable segment, online broadcasting of international and sports content over the Internet. Substantially all of the operations of the Company are directly engaged in or support this operating segment.

The following table presents the Company's subscription revenue by geographical region based on location of the Company's subscribers:

Years ending December 31

	2007 %	2006 %
United States	62	53
Europe	18	23
Canada	7	10
Rest of world	13	14
	100	100

The following table presents the geographical location of the Company's long-lived assets:

As at December 31

	2007 %	2006 %
United States	86	24
Europe	7	8
Canada	4	39
Trinidad and Tobago	—	25
Rest of world	3	4
	100	100

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20. Comparative Information

We have reclassified certain prior year information to conform to the current year's presentation.

21. Subsequent Event

On February 14, 2008, the Company announced as part of its refined strategic focus to explore the sale of the JumpTV content delivery network to maximize the value of their assets while minimizing the related ongoing operational cost to JumpTV.